

1 compete against existing products. For example, it is probably true that Southern Bell's
2 memory call service effectively competes against existing services such as telephone
3 answering machines. The same can probably be said of competition between Call
4 Forwarding and similar functions provided on customer equipment. However, these
5 isolated examples of competition represent such a microscopic percentage of Southern
6 Bell's entire revenues that they are truly meaningless in the context of this proceeding.

7 Some of Bell's major services, such as intraLATA toll and special access, appear
8 to be heading toward a more competitive environment. However, the time when these
9 markets are subject to effective competition is still a long way off. For services such as
10 local dial tone and public telephone access, the current absence of competition is really
11 not even subject to debate.

13 Q. Is the market for payphone services in Southern Bell's South Carolina service area
14 currently subject to effective competition?

15 A. While it may seem so at first glance, the market for payphone services in South Carolina
16 is definitely not subject to effective competition. Any competition that exists is only
17 between IPPs for the limited market share that Bell has allowed them to acquire.

18
19 Q. Would you please explain why the market for payphone services is not subject to
20 effective competition?

21 A. First, I think that clarifying the markets that I will be discussing is important. Independent
22 public payphone providers must connect to the telecommunications network via public

1 telephone access service ("PTAS"). Southern Bell has placed PTAS in the
2 "Interconnection Service" category of its proposed plan. Southern Bell possesses a total
3 monopoly in the market for PTAS. Commission COCOT Guidelines require IPPs to
4 purchase a public telephone access line from Southern Bell for each payphone placed into
5 service. Without question, this service is not subject to any competition in South Carolina
6 at this time.

7 Public telephone service, on the other hand, is payphone service provided to the
8 end user. Southern Bell is the dominant provider of this service in its South Carolina
9 service areas. The Commission has allowed IPPs to provide this service since 1985.
10 However, during that 10-year period, IPPs have only captured 22% of this market in
11 Southern Bell's territories. This fact alone is strong evidence that competition does not
12 exist in the market for payphone services.

13
14 **Q. How did you determine that Southern Bell commands a 78% share of this market?**

15 **A. Independent payphone providers vie for business against Southern Bell's public and semi-**
16 **public telephones. At the end of 1994, Southern Bell had 13,192 public and semi-public**
17 **payphones in service, and provided 3,647 public telephone access lines to IPPs. Bell**
18 **Response to AT&T 1st Interrogatory, No.6, attached as Exhibit 1. Of the total 16,839**
19 **payphones in service, IPPs provided 22%. Southern Bell commands the remaining 78%**
20 **of the market.**

21
22 **Q. Why are these market share percentages an important factor in determining whether**

effective competition exists in the market for payphone services?

2 A. These figures illustrate that Southern Bell dominates this market so completely that in 10
3 years, IPPs have only captured 22% of the market. As Sandy Sanders points out in his
4 testimony, the IPP's 22% of the market is split among 1,070 individual providers. Even
5 if a single provider serviced this entire 22%, Bell's 78% market share would show
6 dominance. However, these 1070 IPPs spend most of their energies competing with each
7 other for that 22%. As a result, dominating this market with 1,070 unrelated service
8 providers has been much easier for Southern Bell than it would be if a single provider held
9 the entire the 22%.

10
11 Q. Have IPPs won in a competition with Southern Bell to serve these 3,647 independent
payphone locations?

13 A. No, they have not. For the most part, Southern Bell has simply allowed IPPs to compete
14 among themselves for low profit locations that Southern Bell did not care to serve in the
15 first place. I base this statement on my own experience as an independent payphone
16 provider. As it turns out, Southern Bell's own data strongly supports my conclusion.

17 It is not unusual for IPPs to receive calls from location providers, or the Public
18 Service Commission staff, requesting installation of a payphone where Southern Bell has
19 either refused to initiate service, or removed an existing payphone. Often, these locations
20 are in remote, low traffic areas where traffic volume has not justified installation of a Bell
21 payphone. Many of the 3,647 locations served by IPPs fall into this category. We fill
22 needs for payphone service that the LECs pass up as not being worth their time or effort.

Mr. Sanders is correct in asserting that IPPs prefer to serve high-traffic locations such as truck stops, and in some instances we do. However, my experience is that when Bell really wants to serve a particular location, they can and will do what it takes to obtain the contract.

Q. What evidence produced by Southern Bell in this proceeding supports the conclusion that Bell is not losing significant high-traffic locations to IPPs?

Discovery produced by Southern Bell in this proceeding shows that the vast majority of payphone locations Bell has stopped serving in the last several years have been low or no profit locations. Exhibit 2 shows the number of Southern Bell public telephones in service for the years 1989 through 1994. Bell Response to AT&T 1st Interrogatory, No. 22. Exhibit 3 shows revenues earned by Southern Bell from those public telephones for those same years. Bell Response to AT&T 1st Interrogatory, No. 36. These numbers are incorporated into the following chart, which also calculates Bell's annual revenue per payphone:

Comparison of Bell Public Telephone Revenues: 1989 - 1994

Year	# Public Phones	\$ Revenues	\$ Revenues/Phone
1989	15,227	\$ 19,447,202	\$1,277
1990	15,961	19,622,830	1,229
1991	15,574	20,739,191	1,332
1992	14,034	20,856,331	1,486
1993	12,177	21,270,073	1,747
1994	11,714	21,185,367	1,809

The number of Bell payphones in service has steadily decreased from 15,227 in 1989 to 11,714 in 1994. During that same period, the annual revenue per phone has steadily increased from \$ 1,277 in 1989 to \$1,808 in 1994. Perhaps even more telling is the fact that Southern Bell has managed to increase total revenues from its payphones from \$ 19.5 million to \$ 21.2 million while decreasing its total payphones in service by 3,500.

This graphically proves that Southern Bell has used the existence of IPPs in the marketplace to increase its market power by passing its unprofitable locations to IPPs, while retaining the cream for itself. Besides achieving a substantial increase in payphone revenues, Bell has also substantially reduced its cost of earning these revenues by reducing the number of pay stations it must service.

Q. What factors have allowed Bell to so thoroughly dominate the market for payphone services in South Carolina?

A. The most important factor is that IPPs depend exclusively upon Southern Bell's public

telephone access service in order to survive. Southern Bell provides this service to IPPs in exchange for a flat monthly charge and a usage-sensitive per-minute charge. Significantly, Southern Bell does not charge itself for these access services, nor does it impute the cost of these services to its own payphone operations.

Q. How does this arrangement increase Southern Bell's market dominance for payphone services?

A. Southern Bell totally controls the IPP's cost of providing payphone service by charging a flat monthly rate ranging from \$30.24 to \$38.40 (depending upon geographic area; includes operator screening). In addition, Southern Bell charges a per-minute rate of \$.04 for the initial minute and \$.02 for succeeding minutes of local use (on peak). Southern Bell's cost for providing the flat rated portion of this service is \$18.08/month. Exhibit 4. (INCLUDES OP. SCREEN) Bell's per-minute cost is around 1 1/4 c for the initial minute and 1/10 c per minute for succeeding minutes of local use (on peak). Exhibit 5 (proprietary), attached to Commission's copy of this testimony under seal, by agreement with Southern Bell. This means that Southern Bell is earning a profit of up to 112% on the flat-rated portion of this service, and well over 500% on the usage-sensitive portion, based upon the average local call length of 2.6 minutes.

Q. Why is Southern Bell's profit on public telephone access service significant to the Commission's decision in this proceeding?

A. The extreme level of profit earned by Southern Bell on this service is important for two

reasons. First, it shows that Southern Bell controls the payphone market by charging its "competitors", which are also its customers, unconscionably high rates for a service that is essential to their existence. Second, these figures demonstrate that Southern Bell's cost of providing a public telephone line to its own payphones is a tiny fraction of the IPP's cost for this same line. The IPP's monthly and per-minute costs are by far the largest portion of their entire cost of providing this service. Because of these disproportionate costs, IPPs are simply unable to compete with Southern Bell, whose own payphones receive this service for a fraction of that cost. Since 1985, Southern Bell has used this total control over essential payphone access to continue its domination of this market.

Q. Are there other reasons for Bell's total dominance of the payphone market?

A. Yes. Besides being the monopoly provider of access service to IPPs, Southern Bell also provides other essential services to IPPs, such as billing and collection and responses to line information data base ("LIDB") queries. While Southern Bell charges IPPs substantial rates for these services, these services are available to Southern Bell's own payphones for little or no cost.

Bell also earns revenue streams from its own payphones (and IPP payphones) that are unavailable to IPPs. For example, Bell earns revenues for local and intraLATA operator service calls (these include both 0+ and 0- calls). Commission rulings have prohibited IPPs from earning revenues on these calls, which must all be sent to Southern Bell. Access revenues are another source of income earned by Southern Bell from its payphones, but not by IPPs from their payphones. Bell earns this revenue stream from

every IXC-carried call initiated from both Bell payphones and IPP payphones.

2

3 Q. How does South Bell use these lower costs and additional revenue streams to dominate
4 the market for payphone services in South Carolina?

5 A. Payphone providers vie for the right to serve particular locations by agreeing to pay
6 location owners a percentage of the revenues that they will earn. It is difficult for an IPP
7 to justify the investment of installing and servicing payphone equipment unless the
8 revenues produced at the location exceed the IPP's cost of providing the service. Thus,
9 these very real economic factors limit the IPP's ability to serve a particular location, as
10 well as the percentage of "commission" that the IPP can afford to offer.

11 When the IPP's higher cost is combined with Bell's ability to earn higher revenues,
12 it is easy to see that Southern Bell can offer much greater commissions to win the right to
13 serve a location. In reality, Southern Bell has the absolute ability to win any location bid
14 by offering a commission payment that an IPP simply cannot meet. Bell's ability is further
15 enhanced by its additional revenue streams. Because of these additional revenues, 20%
16 of Southern Bell's gross revenues from a location may be the monetary equivalent of 40%
17 of an IPP's gross revenues from that same location.

18

19 Q. Are there any constraints in Southern Bell's proposed plan that would keep it from
20 paying commissions to prospective location owners of 70%, 90% or even 100%?

21 A. No, there are not. Southern Bell could actually pay 90 or even 100% of its revenues to
22 the location owner, effectively providing service at an economic loss. The CCCP would

allow Bell to finance these losses with the excessively high revenues it is now earning from its monopoly services, such as PTAS, switched access, directory assistance, and intraLATA and local operator services.

Q. What remedies must be implemented in order to alleviate the imbalance that currently exists between IPPs and Southern Bell in the market for payphone services?

A. One step that must be taken is to require Southern Bell to provide IPPs with payphone access services on the same terms and conditions as Bell provides these services to its own payphone operations. Southern Bell must be required to reduce its rates for PTAS and related services to equal Bell's cost plus a reasonable rate of return. Southern Bell must also be required to impute the rates charged to IPPs for these services to its own payphone operations.

One of the most effective ways of implementing these "same terms and conditions" is to require Southern Bell to move its payphone operations into a separate subsidiary.

Q. Have any other jurisdictions recognized the need to impose upon Bell these "same terms and conditions" requirements?

A. Yes. The Georgia Public Service Commission is currently addressing these requirements in Docket No. 5876-U. On the federal level, both the Senate and the House have just passed sweeping telecommunications reform acts. Both acts recognize the competitive inequities I have discussed by prohibiting a Bell Operating Company from subsidizing its payphone services " . . . directly or indirectly with revenue from its telephone exchange

service or its exchange access service." See H.R. 1555, SEC. 274. S. 652, SEC. 311.

2 The bills direct the FCC to determine whether requiring Bell to provide payphone services
3 through a separate subsidiary will be necessary. These federal safeguards will not be
4 placed into effect until and unless a single bill passed by Congress is signed into law by
5 the President. If such a bill is passed, it may still be several years before the FCC
6 promulgates regulations necessary to carry out Congress' intent.

7 Until these "same terms and conditions" requirements are imposed on Southern Bell,
8 I believe that Bell will continue to monopolize the market for payphone services as it does
9 today. The plan that Bell has proposed in this docket would only serve to increase
10 Southern Bell's ability to dominate this market.

11
12 Q. Are there service-related ways in which Southern Bell uses its monopoly over public
13 telephone access services to continue its dominance of the payphone market?

14 A. Yes there are. Every time an IPP begins to serve a new location, it must order the
15 installation of a payphone access line from Southern Bell. Occasionally, delays by
16 Southern Bell in the installation of these access lines coincide with visits by Southern
17 Bell's payphone marketing personnel to the new location owner. Often in these situations,
18 an IPP will lose the service of this location to a Southern Bell payphone specifically
19 because of Southern Bell's delay in installing the payphone access line.

20
21 Q. What problems do you believe that South Carolina's business and residential
22 telecommunications customers will face if Southern Bell's proposed plan is approved?

1 A. Over the past 10 to 15 years, technological advances have caused the cost of
2 telecommunications services to consistently decrease. Under rate of return regulation, the
3 Commission has appropriately translated these cost savings into corresponding decreases
4 in rates to the end user. The elimination of touch tone charges and the lowering of access
5 charges to IXCs are recent examples of such rate reductions. Southern Bell's witness,
6 Charles Jackson, states that "the technology of local telecommunications will change as
7 much in the next decade as it has in the last 100 years." He cites technological advances
8 such as increased use of digital switching and fiber optic systems that, in his words will
9 continue to lower the cost of telecommunications' transmission "enormously."

10 Under Southern Bell's proposed plan, it is very unlikely that Bell will translate
11 these continuing decreases in costs into lower prices to the consumer. In fact, Southern
12 Bell's proposal would allow it to ~~increase~~ prices to end users, sometimes by startling
13 amounts. Even placed in its best light, Southern Bell's plan will effectively reverse the
14 15-year trend of decreasing prices that has benefitted South Carolina's consumers of
15 telecommunications services.

16
17 Q. In what other ways will Southern Bell's proposal harm South Carolina's consumers?

18 A. This plan will allow Southern Bell to use the excessive profits it is earning on monopoly
19 services to subsidize the below-market pricing of services that may be exposed to potential
20 competition. For example, ACSI just received certification as the first competitive access
21 provider in South Carolina. The proposed plan creates a strong incentive for Southern
22 Bell to price its access services so low that ACSI will be unable to effectively compete for

customers. Southern Bell will subsidize these below-market prices with the excessive, monopoly profits it is currently earning on services such as public telephone access service.

Q. Would not Bell's pledge to price its services at or above long-run incremental costs assure that Bell cannot erect these barriers to competition?

A. No, that hollow pledge by Southern Bell gives me no comfort. First, a competitor may never learn Southern Bell's true incremental cost of providing a particular service. Potential competitors have unsuccessfully fought that battle against Southern Bell in this Commission many times over the years. In fact, the regulatory cost of learning Bell's LRIC would itself be a substantial barrier to the entry of potential competitors.

Perhaps more importantly, Bell's LRIC is certain to be much lower than the cost experienced by its potential competitors for providing that same service. Bell's historic monopoly over telecommunications services in South Carolina has allowed it to build a massive telecommunications plant throughout this state. Many of the facilities necessary for Bell to provide these soon-to-be competitive services have long since been paid for, and the economies of scale that work in Bell's favor are immense. Consequently, Bell's pledge to place a price floor at its LRIC will still allow it to set prices far below the competitive market price. Bell's proposal to place prices for services at or above its LRIC will only serve to ensure that healthy competition will never arrive.

Q. Would you please summarize your testimony?

1 A. Southern Bell's proposed plan is not in the public interest, and should be rejected. It will
2 reverse a fifteen-year trend through which prices to South Carolina consumers have
3 steadily decreased because of the corresponding decrease in cost resulting from
4 technological advances. It will also allow Southern Bell to use monopoly profits it will
5 earn on noncompetitive services to significantly lower its prices for services where Bell
6 anticipates competition.

7 In the end, only Southern Bell would benefit from its proposed plan. In my
8 opinion, this plan would only serve to prevent the arrival of robust competition in South
9 Carolina's telecommunications marketplace.

10
11 Q. Does this conclude your testimony?

12 A. Yes, it does.
13
14
15

STATE: SC DEV. DATE: 12/94

	NO. OF LINES	REVENUE	AVG. RATES
	EXCL. OFFICIAL		
RES 1-PARTY FLAT	797717	13023448.17	16.32
RES 2-PARTY FLAT	4021	53162.72	13.21
RES 4-PARTY FLAT	0	0.00	0.00
RES MESSAGE	0	0.00	0.00
RES STD MEAS	8163	94196.35	11.53
RES LOW USE MEAS	30281	164305.44	5.40
RES MEAS PLAN LINES	35621	446098.39	12.52
SUB-TOTAL RES LINES	883807	13781211.07	15.55
RES TRK FLAT	175	5894.56	33.68
RES TRK MEAS	0	0.00	0.00
RES MEAS PLAN TRK	0	0.00	0.00
SUB-TOTAL RES TRUNKS	175	5894.56	33.68
SUS 1-PARTY FLAT	175040	7427291.92	42.43
SUS 2-PARTY FLAT	0	0.00	0.00
SUS 4-PARTY FLAT	0	0.00	0.00
SUS 8-PARTY FLAT	0	0.00	0.00
SUS MESSAGE	13	440.80	33.91
SUS STD MEAS	9320	311294.03	33.40
SUS MEAS PLAN LINES	4936	163391.37	33.10
SUB-TOTAL SUS LINES	189309	7982640.12	41.74
SUS TRK FLAT	16003	1338996.07	83.29
SUS TRK MEAS 1ST	443	36975.89	83.49
SUS TRK MEAS ADDL	1784	110796.58	62.12
SUS TRK MEAS	97	4402.12	45.38
SUS TRK MEAS PLAN	111	5486.06	49.42
SUB-TOTAL SUS TRUNKS	18438	1480156.73	80.27
KAR CEX	0	0.00	0.00
KAR ESEK FLAT	23889	859936.36	35.99
KAR ESEK MEAS	140	1428.10	10.20
KAR ESEK MEAS	1095	13880.87	12.65
KAR ESEK MEAS PLAN	71	1428.00	20.11
SUB-TOTAL KAR LINES	25195	876635.33	34.79
KAR HL/LG FLAT	14559	523319.10	35.94
KAR HL/LG MEAS	70	711.00	10.15
KAR HL/LG MEAS/VU	0	0.00	0.00
KAR HL/LG MEAS PLAN VU	10	200.00	20.00
SUB-TOTAL HL/LG LINES	14639	524230.10	35.81
KAR HL/LG HAS LINE	0	0.00	0.00
KAR HL/LG HAS TRK	0	0.00	0.00
SUB-TOTAL HL/LG HAS	0	0.00	0.00
PUBLIC	11719	0.00	0.00
SEMI-PUBLIC	1473	61695.89	41.88
SEMI-PUB MEAS PLAN	0	0.00	0.00
SUB-TOTAL SEMI-PUB LINES	1473	61695.89	41.88
COCOTS-FLAT	0	0.00	0.00
COCOTS-MEAS	0	0.00	0.00
COCOTS-MEAS	2922	110285.06	37.85
COCOTS PLAN FLAT	633	23566.00	37.34
SUB-TOTAL COCOTS LINES	2922	133851.06	45.80
SHARE/RE-SALE	0	0.00	0.00
TOLL TERMINALS	1093	60970.62	55.68
CELLULAR CONNECTIONS	0	0.00	0.00
ESEK LINES	97154	805142.60	8.28
MISC. OTHER	603	11591.85	19.22
TOTAL (INC. ESEK LINES, NO TOLL TERM)	1222964	24706233.98	20.20
TOTAL (INC. ESEK LINES, W/ TOLL TERM)	1152180	24838697.33	21.55
RES FLAT NTO	333	2741.47	8.23
RES MEAS NTO	0	0.00	0.00
RES MEAS NTO	0	0.00	0.00
RES MEAS PLAN NTO	41	164.00	4.00
SUB-TOTAL RES NTO	374	2905.47	7.76
SUS FLAT NTO	61520	1314107.50	21.36
SUS MEAS NTO	0	0.00	0.00
SUS MEAS NTO	90	948.20	10.53
SUS MEAS PLAN NTO	1871	30871.50	16.50
SUB-TOTAL SUS NTO	63481	1345927.20	21.20

*

Service quantities at the end of each year, 1989-1994, for each of the revenue categories listed in Item No. 21 are:

Service	Unit	Approximate Demand					
		1989	1990	1991	1992	1993	1994
Message Toll Service	Messages (000)	64,667	61,239	59,861	54,439	56,311	57,451
Toll Optional Calling Plans	Messages (000)	2,940	12,506	19,019	33,783	46,266	48,156
ESSX	Station Lines	48,888	61,998	76,821	87,234	96,344	102,364
Custom Calling Services	Features	732,199	749,515	757,638	810,210	872,131	967,280
Flat Rate Trunks & NARs	Trunks & NARs	34,335	36,331	41,673	48,102	52,117	56,525
Public Telephones	Lines	15,227	15,961	15,574	14,034	12,177	11,714
Rotary Hunt	Lines	60,233	61,431	60,173	59,895	58,627	61,948
Touchstar	Features	13,452	96,510	166,406	184,921	213,360	255,807
Business Mess. & Meas.	Lines & Trunks	5,850	7,919	8,516	11,732	13,203	12,035
FCO / FX	FX Lines	1,885	1,888	1,888	1,719	1,717	1,647
Residence Measured	Lines	22,281	33,104	35,904	37,693	39,215	29,480
Area Plus	Lines & Trunks	0	0	0	0	0	59,190
Memorycall	Mailboxes	0	0	312	20,015	40,770	70,289
Directory Assistance	Messages (000)	57,407	58,320	58,571	58,287	59,350	59,687
Toll and Assist	Messages (000)			40,326	38,845	39,750	35,965

CRAIG, EXHIBIT 2
 Southern Bell Tel. & Tel. Co.
 Docket No. 95-720-C
 AT&T's First Set of Interrogatories
 August 10, 1995
 Item No. 22
 Page 2 of 2

SCHEDULE 11. - OPERATING REVENUE ACCOUNTS

1989

the telephone operating revenues of the respondent for the year, classified in accordance with the Uniform System of Accounts for Telephone Companies.

Operating Revenue Accounts (a)	Combined (b)	Intrastate Gross Receipts (c)
	\$	\$
LOCAL NETWORK SERVICES REVENUES		
(5001) Basic Area Revenue.....	281,163,001.60	281,163,001.60
(5002) Optional Extended Area Revenue.....	47,264.50	47,264.50
(5003) Cellular Mobile Revenue.....	0.00	0.00
(5004) Other Mobile Service Revenue.....	586,746.05	586,746.05
(5000) Total Basic Local Service Revenue.....	281,797,012.15	281,797,012.15
(5010) Public Telephone Revenue.....	19,447,202.87	19,447,202.87
(5040) Local Private Line Revenue.....	8,568,122.65	8,568,121.73
(5050) Customer Premises Revenue.....	464,905.93	464,905.93
(5060) Other Local Exchange Revenue.....	89,678,156.68	89,678,156.68
(5069) Other Local Exchange Revenue Settlements.....	377,401.51	377,401.51
Total Local Network Services Revenues.....	400,332,801.79	400,332,800.87
NETWORK ACCESS SERVICE REVENUES		
(5081) End User Revenue (Federally Tariffed)- Gross Revenues.....	46,725,062.69	0.00
(5082) Switched Access Revenue (Federally Tariffed).....	112,069,194.21	0.00
(5083) Special Access Revenue (Federally Tariffed).....	25,439,777.19	0.00
(5084) State Access Revenue (State Tariffed).....	53,725,148.58	53,725,148.58
(5080) Total Network Access Revenue.....	237,959,182.67	53,725,148.58
LONG DISTANCE REVENUES		
(5100) Long Distance Message Revenue.....	77,209,045.50	74,046,098.72
(5111) Long Distance Inward Only Revenue.....	5,507,735.37	5,507,735.37
(5112) Long Distance Outward Only Revenue.....	3,259,877.06	3,259,877.06
(5121) Sub-Voice Grade Long Distance Private Network Revenue.....	137,037.47	137,037.47
(5122) Voice Grade Long Distance Private Network Revenue.....	8,487,853.74	8,115,127.22
(5123) Audio Program Grade Long Distance Private Network Revenue....	0.00	0.00
(5124) Video Program Grade Long Distance Private Network Revenue....	0.00	0.00
(5125) Digital Transmission Long Distance Private Network Revenue...	926,244.54	926,244.54
(5126) Long Distance Private Network Switching Revenue.....	0.00	0.00
(5128) Other Long Distance Private Network Revenue.....	0.00	0.00
(5129) Other Long Distance Private Network Revenue Settlements.....	(4,112,305.37)	(4,112,305.37)
(5120) Total Long Distance Private Network Revenue.....	5,438,030.38	5,066,103.86
(5160) Other Long Distance Revenue.....	2,953,952.81	2,953,952.81
(5169) Other Long Distance Revenue Settlements.....	0.00	0.00
Total Long Distance Revenues.....	94,359,641.12	90,833,767.82
MISCELLANEOUS REVENUES		
(230) Directory Revenue.....	28,141,413.98	28,141,413.98
(240) Rent Revenues.....	2,489,534.48	2,489,534.48
(250) Corporate Operations Revenue.....	0.00	0.00
(261) Special Billing Arrangements Revenue.....	21,584.84	21,584.84
(262) Customer Operations Revenue.....	20,212.69	20,212.69
(263) Plant Operations Revenue.....	3,716.70	3,716.70
(264) Other Incidental Regulated Revenue.....	5,263,083.83	5,263,083.83
(269) Other Revenue Settlements.....	0.00	0.00
(260) Total Miscellaneous Revenue.....	5,308,598.06	5,308,598.06

SCHEDULE II. - OPERATING REVENUE ACCOUNTS

390

State the telephone operating revenues of the respondent for the year, classified in accordance with the Uniform System of Accounts for Telephone Companies.

Operating Revenue Accounts (a)	Combined (b)	Intrastate Gross Receipts (c)
	\$	\$
LOCAL NETWORK SERVICES REVENUES		
(5001) Basic Area Revenue.....	293,722,322.61	293,722,322.61
(5002) Optional Extended Area Revenue.....	96,204.71	96,204.71
(5003) Cellular Mobile Revenue.....	0.00	0.00
(5004) Other Mobile Service Revenue.....	719,836.00	719,836.00
(5000) Total Basic Local Service Revenue.....	294,538,363.32	294,538,363.32
(5010) Public Telephone Revenue.....	19,622,830.25	19,622,830.25
(5040) Local Private Line Revenue.....	10,019,496.27	10,019,496.27
(5050) Customer Premises Revenue.....	779,096.83	779,096.83
(5060) Other Local Exchange Revenue.....	95,391,254.77	95,391,254.77
(5069) Other Local Exchange Revenue Settlements.....	0.00	0.00
Total Local Network Services Revenues.....	420,351,041.44	420,351,041.44
NETWORK ACCESS SERVICE REVENUES		
(5081) End User Revenue (Federally Tariffed)- Gross Revenues.....	50,112,690.41	0.00
(5082) Switched Access Revenue (Federally Tariffed).....	116,398,248.12	0.00
(5083) Special Access Revenue (Federally Tariffed).....	28,740,602.70	0.00
(5084) State Access Revenue (State Tariffed).....	61,417,764.96	61,417,764.96
Total Network Access Revenue.....	256,669,306.19	61,417,764.96
LONG DISTANCE REVENUES		
(5100) Long Distance Message Revenue.....	78,223,921.59	74,860,663.51
(5111) Long Distance Inward Only Revenue.....	4,090,547.42	4,090,547.42
(5112) Long Distance Outward Only Revenue.....	3,100,747.74	3,100,747.74
(5121) Sub-Voice Grade Long Distance Private Network Revenue.....	110,423.86	110,423.86
(5122) Voice Grade Long Distance Private Network Revenue.....	8,317,553.87	8,317,553.87
(5123) Audio Program Grade Long Distance Private Network Revenue....	0.00	0.00
(5124) Video Program Grade Long Distance Private Network Revenue....	0.00	0.00
(5125) Digital Transmission Long Distance Private Network Revenue....	1,594,964.48	1,594,964.48
(5126) Long Distance Private Network Switching Revenue.....	0.00	0.00
(5128) Other Long Distance Private Network Revenue.....	0.00	0.00
(5129) Other Long Distance Private Network Revenue Settlements.....	(5,095,722.04)	(5,095,722.04)
(5120) Total Long Distance Private Network Revenue.....	4,927,200.17	4,927,200.17
(5160) Other Long Distance Revenue.....	2,443,721.95	2,441,783.95
(5169) Other Long Distance Revenue Settlements.....	0.00	0.00
Total Long Distance Revenues.....	92,784,138.87	89,420,942.79
MISCELLANEOUS REVENUES		
(5230) Directory Revenue.....	30,668,098.53	30,668,098.53
(5240) Rent Revenues.....	1,929,182.84	1,929,182.84
(5250) Corporate Operations Revenue.....	0.00	0.00
(5261) Special Billing Arrangements Revenue.....	32,433.20	32,433.20
(5262) Customer Operations Revenue.....	22,793.21	22,793.21
(5263) Plant Operations Revenue.....	39,627.01	39,627.01
(5264) Other Incidental Regulated Revenue.....	5,140,684.27	5,140,684.27
Other Revenue Settlements.....	0.00	0.00
Total Miscellaneous Revenue.....	5,235,537.69	5,235,537.69

SCHEDULE 11. - OPERATING REVENUE ACCOUNTS

1991

State the telephone operating revenues of the respondent for the year, classified in accordance with the Uniform System of Accounts for Telephone Companies.

Operating Revenue Accounts (a)	Combined (b)	Intrastate Gross Receipts (c)
	\$	\$
LOCAL NETWORK SERVICES REVENUES		
(5001) Basic Area Revenue.....	302,297,624.69	302,297,624.69
(5002) Optional Extended Area Revenue.....	40,043.71	40,043.71
(5003) Cellular Mobile Revenue.....	0.00	0.00
(5004) Other Mobile Service Revenue.....	763,705.55	763,705.55
(5000) Total Basic Local Service Revenue.....	303,101,373.95	303,101,373.95
(5010) Public Telephone Revenue.....	20,739,191.70	20,739,191.70
(5060) Local Private Line Revenue.....	11,801,332.31	11,801,332.31
(5050) Customer Premises Revenue.....	984,305.54	984,305.54
(5060) Other Local Exchange Revenue.....	88,820,787.70	88,820,787.70
(5069) Other Local Exchange Revenue Settlements.....	0.00	0.00
Total Local Network Services Revenues.....	425,446,991.20	425,446,991.20
NETWORK ACCESS SERVICE REVENUES		
(5081) End User Revenue (Federally Tariffed)- Gross Revenues.....	51,989,315.47	0.00
(5082) Switched Access Revenue (Federally Tariffed).....	117,173,255.97	0.00
(3) Special Access Revenue (Federally Tariffed).....	32,614,114.85	0.00
(5083) State Access Revenue (State Tariffed).....	60,821,623.01	60,821,623.01
Total Network Access Revenues.....	262,598,309.30	60,821,623.01
LONG DISTANCE REVENUES		
(5100) Long Distance Message Revenue.....	78,603,628.81	74,964,387.98
(5111) Long Distance Inward Only Revenue.....	3,018,275.33	3,018,275.33
(5112) Long Distance Outward Only Revenue.....	5,283,910.19	5,283,910.19
(5121) Sub-Voice Grade Long Distance Private Network Revenue.....	65,875.61	65,875.61
(5122) Voice Grade Long Distance Private Network Revenue.....	6,957,070.16	6,957,070.16
(5123) Audio Program Grade Long Distance Private Network Revenue.....	0.00	0.00
(5124) Video Program Grade Long Distance Private Network Revenue.....	0.00	0.00
(5125) Digital Transmission Long Distance Private Network Revenue.....	3,180,223.19	3,180,223.19
(5126) Long Distance Private Network Switching Revenue.....	0.00	0.00
(5128) Other Long Distance Private Network Revenue.....	0.00	0.00
(5129) Other Long Distance Private Network Revenue Settlements.....	(3,056,171.21)	(3,056,171.21)
(5120) Total Long Distance Private Network Revenue.....	7,144,997.75	7,144,997.75
(5160) Other Long Distance Revenue.....	2,700,715.68	2,697,547.68
(5169) Other Long Distance Revenue Settlements.....	0.00	0.00
Total Long Distance Revenues.....	96,753,527.76	93,111,118.93
MISCELLANEOUS REVENUES		
(230) Directory Revenue.....	32,402,456.13	32,402,456.13
(240) Rent Revenues.....	2,327,167.01	2,188,578.01
(250) Corporate Operations Revenue.....	0.00	0.00
(261) Special Billing Arrangements Revenue.....	44,386.20	44,386.20
(262) Customer Operations Revenue.....	24,217.95	24,217.95
(263) Plant Operations Revenue.....	67,340.95	67,340.95
(4) Other Incidental Regulated Revenue.....	4,587,678.69	4,587,678.69
(12) Other Revenue Settlements.....	0.00	0.00
Total Miscellaneous Revenue.....	4,723,623.79	4,723,623.79

SCHEDULE 11. - OPERATING REVENUE ACCOUNTS

992

State the telephone operating revenues of the respondent for the year, classified in accordance with the Uniform System of Accounts for Telephone Companies.

Operating Revenue Accounts (a)	Combined (b)	Intrastate Gross Receipts (c)
LOCAL NETWORK SERVICES REVENUES		
(5001) Basic Area Revenue.....	309,779,819.28	309,779,819.28
(5002) Optional Extended Area Revenue.....	96,768.61	96,768.61
(5003) Cellular Mobile Revenue.....	0.00	0.00
(5004) Other Mobile Service Revenue.....	984,410.52	984,410.52
(5000) Total Basic Local Service Revenue.....	310,860,998.41	310,860,998.41
(5010) Public Telephone Revenue.....	20,856,331.88	20,856,331.88
(5040) Local Private Line Revenue.....	12,268,481.13	12,268,481.13
(5050) Customer Premises Revenue.....	1,172,082.58	1,172,082.58
(5060) Other Local Exchange Revenue.....	104,652,032.74	104,652,032.74
(5069) Other Local Exchange Revenue Settlements.....	0.00	0.00
Total Local Network Services Revenues.....	449,809,926.74	449,809,926.74
NETWORK ACCESS SERVICE REVENUES		
(5081) End User Revenue (Federally Tariffed)- Gross Revenues.....	54,168,804.52	0.00
(5082) Switched Access Revenue (Federally Tariffed).....	122,475,327.61	0.00
(5083) Special Access Revenue (Federally Tariffed).....	26,328,244.23	0.00
(5084) State Access Revenue (State Tariffed).....	58,047,730.03	58,047,730.03
(5080) Total Network Access Revenues.....	261,020,106.39	58,047,730.03
LONG DISTANCE REVENUES		
(5100) Long Distance Message Revenue.....	74,732,395.26	70,840,886.83
(5111) Long Distance Inward Only Revenue.....	1,859,267.26	1,859,267.26
(5112) Long Distance Outward Only Revenue.....	9,126,020.39	9,126,020.39
(5121) Sub-Voice Grade Long Distance Private Network Revenue.....	37,154.05	37,154.05
(5122) Voice Grade Long Distance Private Network Revenue.....	6,342,213.63	6,342,213.63
(5123) Audio Program Grade Long Distance Private Network Revenue.....	0.00	0.00
(5124) Video Program Grade Long Distance Private Network Revenue.....	0.00	0.00
(5125) Digital Transmission Long Distance Private Network Revenue.....	4,649,068.55	4,649,068.55
(5126) Long Distance Private Network Switching Revenue.....	0.00	0.00
(5128) Other Long Distance Private Network Revenue.....	0.00	0.00
(5129) Other Long Distance Private Network Revenue Settlements.....	(1,643,063.86)	(1,643,063.86)
(5120) Total Long Distance Private Network Revenue.....	9,385,372.37	9,385,372.37
(5160) Other Long Distance Revenue.....	2,734,418.35	2,732,122.35
(5169) Other Long Distance Revenue Settlements.....	0.00	0.00
Total Long Distance Revenues.....	97,837,473.63	93,943,669.20
MISCELLANEOUS REVENUES		
(5230) Directory Revenue.....	34,173,097.39	34,173,097.39
(5240) Rent Revenues.....	991,848.68	814,137.68
(5250) Corporate Operations Revenue.....	0.00	0.00
(5261) Special Billing Arrangements Revenue.....	42,717.38	42,717.38
(5262) Customer Operations Revenue.....	18,077.30	18,077.30
(5263) Plant Operations Revenue.....	61,033.92	61,033.92
(5264) Other Incidental Regulated Revenue.....	458,644.29	657,568.29
(5269) Other Revenue Settlements.....	0.00	0.00
(5260) Total Miscellaneous Revenue.....	590,472.89	779,396.89

SCHEDULE II. - OPERATING REVENUE ACCOUNTS

1993

State the telephone operating revenues of the respondent for the year, classified in accordance with the Uniform System of Accounts for Telephone Companies.

Operating Revenue Accounts (a)	Combined (b)	Intrastate Gross Receipts (c)
	\$	\$
LOCAL NETWORK SERVICES REVENUES		
(5001) Basic Area Revenue.....	314,034,031.74	314,034,031.74
(5002) Optional Extended Area Revenue.....	100,830.69	100,830.69
(5003) Cellular Mobile Revenue.....	0.00	0.00
(5004) Other Mobile Service Revenue.....	736,391.37	736,391.37
(5000) Total Basic Local Service Revenue.....	314,831,253.80	314,831,253.80
(5010) Public Telephone Revenue.....	21,270,073.19	21,270,073.19
(5040) Local Private Line Revenue.....	13,300,995.61	13,300,995.61
(5050) Customer Premises Revenue.....	1,113,678.68	1,113,678.68
(5060) Other Local Exchange Revenue.....	109,745,147.05	109,745,147.05
(5069) Other Local Exchange Revenue Settlements.....	0.00	0.00
Total Local Network Services Revenues.....	460,281,148.33	460,281,148.33
NETWORK ACCESS SERVICE REVENUES		
50 End User Revenue (Federally Tariffed)- Gross Revenues.....	56,086,930.58	0.00
(5080) Switched Access Revenue (Federally Tariffed).....	128,949,529.95	0.00
(5083) Special Access Revenue (Federally Tariffed).....	23,799,113.76	0.00
(5084) State Access Revenue (State Tariffed).....	60,054,143.92	60,054,143.92
(5080) Total Network Access Revenues.....	268,907,718.21	60,054,143.92
LONG-DISTANCE REVENUES		
(5100) Long Distance Message Revenue.....	77,182,090.44	73,057,662.00
(5111) Long Distance Inward Only Revenue.....	1,445,854.85	1,444,870.95
(5112) Long Distance Outward Only Revenue.....	8,509,034.59	8,509,034.59
(5121) Sub-Voice Grade Long Distance Private Network Revenue.....	43,047.33	43,047.33
(5122) Voice Grade Long Distance Private Network Revenue.....	5,969,194.89	5,969,194.89
(5123) Audio Program Grade Long Distance Private Network Revenue.....	0.00	0.00
(5124) Video Program Grade Long Distance Private Network Revenue.....	0.00	0.00
(5125) Digital Transmission Long Distance Private Network Revenue.....	6,102,395.16	6,102,395.16
(5126) Long Distance Private Network Switching Revenue.....	0.00	0.00
(5128) Other Long Distance Private Network Revenue.....	0.00	0.00
(5129) Other Long Distance Private Network Revenue Settlements.....	(1,532,029.94)	(1,532,029.94)
(5120) Total Long Distance Private Network Revenue.....	10,582,607.44	10,582,607.44
(5160) Other Long Distance Revenue.....	2,968,009.32	2,966,187.42
(5169) Other Long Distance Revenue Settlements.....	0.00	0.00
Total Long Distance Revenues.....	100,687,596.64	96,560,362.40
MISCELLANEOUS REVENUES		
5230) Directory Revenue.....	35,315,736.84	35,315,736.84
5240) Rent Revenues.....	866,673.78	669,478.78
5250) Corporate Operations Revenue.....	0.00	0.00
5261) Special Billing Arrangements Revenue.....	48,032.95	48,032.95
5262) Customer Operations Revenue.....	19,045.60	19,045.60
5263) Plant Operations Revenue.....	74,679.63	74,679.63
5264) Other Incidental Regulated Revenue.....	1,023,025.52	913,091.52
5269) Other Revenue Settlements.....	0.00	0.00
5260) Total Miscellaneous Revenue.....	1,164,583.70	1,054,649.70

SCHEDULE II. - OPERATING REVENUE ACCOUNTS

1994

State the telephone operating revenues of the respondent for the year, classified in accordance with the Uniform System of Accounts for Telephone Companies.

Operating Revenue Accounts (a)	Combined (b)	Intrastate Gross Receipts (c)
LOCAL NETWORK SERVICES REVENUES		
(5001) Basic Area Revenue	329,525,754.20	329,525,754.20
(5002) Optional Extended Area Revenue	4,466,269.97	4,466,269.97
(5003) Cellular Mobile Revenue	0.00	0.00
(5004) Other Mobile Service Revenue	420,301.45	420,301.45
(5000) Total Basic Local Service Revenue	334,412,325.62	334,412,325.62
(5010) Public Telephone Revenue	21,185,367.75	21,185,367.75
(5040) Local Private Line Revenue	14,523,139.46	14,523,139.46
(5050) Customer Premises Revenue	1,306,696.38	1,306,696.38
(5060) Other Local Exchange Revenue	118,085,244.68	118,085,332.89
(5069) Other Local Exchange Revenue Settlements	0.00	0.00
Total Local Network Services Revenues	489,512,773.89	489,512,862.10
NETWORK ACCESS SERVICE REVENUES		
(5081) End User Revenue (Federally Tariffed)- Gross Revenues	58,519,618.80	0.00
(5082) Switched Access Revenue (Federally Tariffed)	128,460,905.17	0.00
(5083) Special Access Revenue (Federally Tariffed)	25,482,046.93	0.00
(5084) State Access Revenue (State Tariffed)	73,282,160.18	73,282,160.18
(5080) Total Network Access Revenues	285,744,289.08	73,282,160.18
LONG DISTANCE REVENUES		
(5100) Long Distance Message Revenue	73,403,061.80	69,329,499.15
(5111) Long Distance Inward-Only Revenue	1,067,637.20	1,035,319.39
(5112) Long Distance Outward Only Revenue	8,934,269.53	8,934,289.53
(5121) Sub-Voice Grade Long Distance Private Network Revenue	24,063.60	24,063.60
(5122) Voice Grade Long Distance Private Network Revenue	5,166,547.83	5,152,277.86
(5123) Audio Program Grade Long Distance Private Network Revenue	(1,848.32)	(1,848.32)
(5124) Video Program Grade Long Distance Private Network Revenue	(56,904.18)	(56,904.18)
(5125) Digital Transmission Long Distance Private Network Revenue	7,412,545.69	7,408,532.36
(5126) Long Distance Private Network Switching Revenue	0.00	0.00
(5128) Other Long Distance Private Network Revenue	(19,939.51)	(19,939.51)
(5129) Other Long Distance Private Network Revenue Settlements	(2,148,283.99)	(2,148,283.99)
(5120) Total Long Distance Private Network Revenue	10,368,161.14	10,369,697.84
(5160) Other Long Distance Revenue	1,565,848.41	1,562,846.41
(5169) Other Long Distance Revenue Settlements	0.00	0.00
Total Long Distance Revenues	95,338,808.08	91,221,852.32
MISCELLANEOUS REVENUES		
(5230) Directory Revenue	36,882,271.27	36,882,271.27
(5240) Rent Revenues	1,034,419.02	788,204.02
(5250) Corporate Operations Revenue	0.00	0.00
(5261) Special Billing Arrangements Revenue	72,807.95	58,129.95
(5262) Customer Operations Revenue	20,037.18	17,499.18
(5263) Plant Operations Revenue	89,397.20	67,203.20
(5264) Other incidental Regulated Revenue	6,816,449.30	6,705,657.30
(5269) Other Revenue Settlements	0.00	0.00
(5260) Total Miscellaneous Revenue	6,998,691.63	6,848,489.63

RECEIVED
JOHN F. BEACH, P.A.

AUG 2 1995

Southern Bell Tel & Tel Co.
 SCFSC Docket No. 95-720-C
 SCPA's 1st Set of Interrogatories
 July 18, 1995
 Item No. 1-1
 Page 1 of 1

REQUEST: In exhibit A of your Application for Alternative Regulation, you state "B.(1) Prices for interconnection service shall equal of (sic) exceed the company's LRIC of providing such service". Provide your LRIC, divided into flat-rated monthly and usage-sensitive, per-minute costs, for providing public telephone access service for customer-provided equipment. If this information is not available in the form requested, please so state and provide the information in whatever form available.

RESPONSE: Some of the requested information is proprietary and will be provided upon the execution of an appropriate proprietary agreement with Southern Bell. Following is the non-proprietary data requested:

Flat-rated monthly costs per station:

Loop costs..... \$15.91
 NTS line term costs..... \$1.84

Usage sensitive costs per Local Measured MOU:

1st MOU (peak)..... \$
 1st MOU (off-peak)..... \$
 Additional MOU (peak)..... \$
 Additional MOU (off-peak)..... \$

Central Office Blocking with Operator Screening costs:

Non-volume sensitive one-time cost
 per central office..... \$62.86
 Shared monthly cost
 per central office..... \$0.32
 Directly assigned monthly cost
 per line..... \$0.01

Billed Number Screening costs:

Cost per query..... \$0.026

RESPONSE PROVIDED BY:

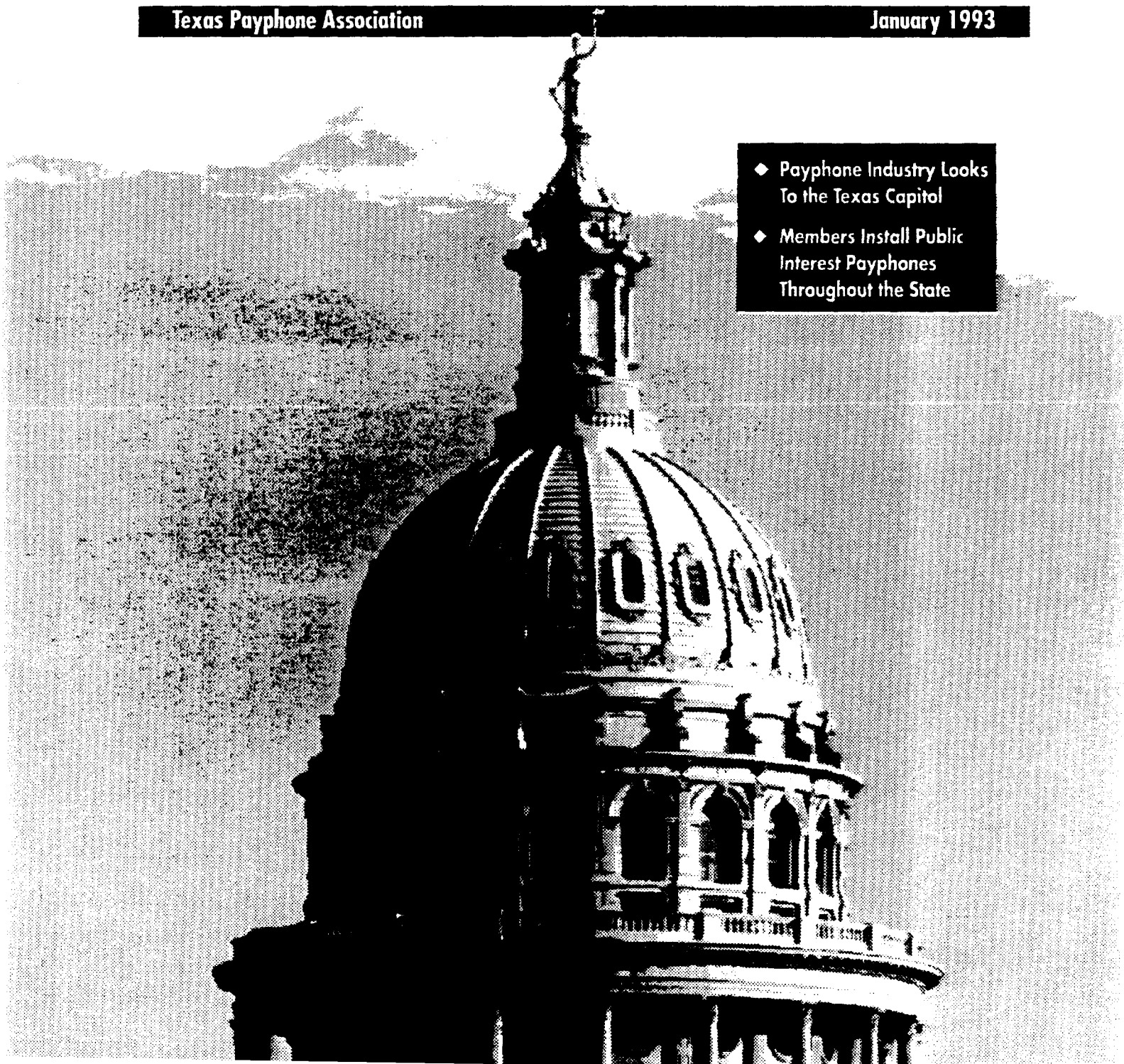
Reg Starks
 Director - Economic Costs
 675 W. Peachtree St. NE
 Atlanta, Georgia 30375

TEXAS CALLING

Texas Payphone Association

January 1993

- ◆ Payphone Industry Looks To the Texas Capitol
- ◆ Members Install Public Interest Payphones Throughout the State



Texas Independent Payphone Companies Install Public Interest Payphones

A bus pulled up at the Sunset Stages bus station in Brownwood at 10:20 p.m. The station office was closed and dark. An elderly gentleman got off the bus and looked for a payphone to use to call someone to pick him up. He looked everywhere, but there was no phone. The only way he could make a call was to cross busy Highway 377 at a blind intersection and walk through the dark to find a payphone.

John Willis, independent agent for Sunset Stages, knew his bus riders needed a payphone at the station. "A lot of people must call relatives to come get them or call Brownwood's only cab," he said. "I contacted GTE about a payphone, and they gave me the runaround the first time or two. I went to the general manager here, and he finally gave me a man in San Angelo to contact. He in so many words told me they just weren't putting in payphones unless they could guarantee a certain amount of revenue per day in large volume locations." Willis let the issue drop, but his business grew to six buses a day with an even greater need for a payphone. "I contacted GTE again, and the man said, 'I guess we could put one in, but it will cost you the installation charge and so much a month for the payphone.'" Willis faced a dilemma: he needed a payphone, but he was operating on a shoestring and couldn't afford to pay them \$300 or \$400 to install a payphone.

That's when he heard about Teletrust, Inc. of Lubbock, an independent payphone company that serves his area. "The people from Teletrust were very nice, and they paid for the installation of the payphone. It has worked out real well for us. They said they probably won't make any money off it for a while, but they were willing to put it in. We have had very little trouble with the payphone, but anytime I call they are there by the next day."

"Mr. Willis was referred to us by a good customer of ours, and we heard about how much trouble he had with GTE. We thought the phone would be marginal, but we did it anyway because it was in the public interest," said Bill Davis, Vice President of Operations at Teletrust. "That little bus station is right in the middle of an area that we are serving, because we have other phones in Brownwood," said

John Clark, Teletrust President. "We believe that it is part of our responsibility to serve the community."

Teletrust is just one of the many member companies of the Texas Payphone Association that is committed to serving the public interest by providing payphones to people who need them.



NAI owns the payphone at the softball complex.

County Parks and Churches

The Richard Moya Softball Complex in Austin, owned by Travis County, is located at a park in an isolated area in the southeast part of the county. The complex attracts thousands of people during the softball seasons. Players and fans depend on a payphone by the concession stand to call for help when a player is injured or to call for rides home.

This public interest phone was installed by North American InTeleCom of San Antonio, which has a contract for all the payphones on property owned by Travis, Bexar, and Tarrant Counties. "If I looked at every one of our company payphones that lose money, 97% would be phones on county property," said Dave Clark, NAI's Manager of Operations. "But we know there are occasions where we have to sacrifice our profit mode to meet a public need."

Another NAI payphone is located at the county's Pace Bend Park on Lake Travis. "It is a service to the public that I think is tremendously necessary for safety because of emergencies occurring near the